

**REPORT OF THE AUDIT OF THE  
GREEN COUNTY  
SHERIFF'S SETTLEMENT - 2004 TAXES**

**April 29, 2005**



**CRIT LUALLEN  
AUDITOR OF PUBLIC ACCOUNTS  
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**EXECUTIVE SUMMARY**

**AUDIT EXAMINATION OF THE  
GREEN COUNTY  
SHERIFF'S SETTLEMENT - 2004 TAXES**

**April 29, 2005**

The Auditor of Public Accounts has completed the audit of the Sheriff's Settlement - 2004 Taxes for Green County Sheriff as of April 29, 2005. We have issued an unqualified opinion on the financial statement taken as a whole. Based upon the audit work performed, the financial statement is presented fairly in all material respects.

**Financial Condition:**

The Sheriff collected taxes of \$2,207,027 for the districts for 2004 taxes, retaining commissions of \$91,142 to operate the Sheriff's office. The Sheriff distributed taxes of \$2,115,808 to the districts for 2004 Taxes. Taxes of \$305 are due to the districts from the Sheriff and refunds of \$228 are due to the Sheriff from the taxing districts.

**Report Comment:**

- The Depository Institution Should Have Provided Additional Collateral Of \$131,232 To Protect Deposits



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CRIT LUALLEN  
AUDITOR OF PUBLIC ACCOUNTS

To the People of Kentucky

Honorable Ernie Fletcher, Governor

Robbie Rudolph, Secretary

Finance and Administration Cabinet

Honorable Mary Ann Blaydes Baron, Green County Judge/Executive

Honorable Tim Stumph, Green County Sheriff

Members of the Green County Fiscal Court

Independent Auditor's Report

We have audited the Green County Sheriff's Settlement - 2004 Taxes as of April 29, 2005. This tax settlement is the responsibility of the Green County Sheriff. Our responsibility is to express an opinion on this financial statement based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, and the Audit Guide for Sheriff's Tax Settlements issued by the Auditor of Public Accounts, Commonwealth of Kentucky. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statement is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statement. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As described in Note 1, the Sheriff's office prepares the financial statement on a prescribed basis of accounting that demonstrates compliance with the modified cash basis, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

In our opinion, the accompanying financial statement referred to above presents fairly, in all material respects, the Green County Sheriff's taxes charged, credited, and paid as of April 29, 2005, in conformity with the modified cash basis of accounting.

In accordance with Government Auditing Standards, we have also issued our report dated September 16, 2005, on our consideration of the Sheriff's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.



To the People of Kentucky  
Honorable Ernie Fletcher, Governor  
Robbie Rudolph, Secretary  
Finance and Administration Cabinet  
Honorable Mary Ann Blaydes Baron, Green County Judge/Executive  
Honorable Tim Stumph, Green County Sheriff  
Members of the Green County Fiscal Court

Based on the results of our audit, we present the accompanying comment and recommendation, included herein, which discusses the following report comment:

- The Depository Institution Should Have Provided Additional Collateral Of \$131,232 To Protect Deposits

Respectfully submitted,

A handwritten signature in cursive script, appearing to read "Crit Luallen", with a long horizontal flourish extending to the right.

Crit Luallen  
Auditor of Public Accounts

Audit fieldwork completed -  
September 16, 2005



GREEN COUNTY  
TIM STUMPH, COUNTY SHERIFF  
SHERIFF'S SETTLEMENT - 2004 TAXES

April 29, 2005

<u>Charges</u>	<u>County Taxes</u>	<u>Special Taxing Districts</u>	<u>School Taxes</u>	<u>State Taxes</u>
Real Estate	\$ 249,434	\$ 436,393	\$ 860,197	\$ 305,382
Tangible Personal Property	9,705	19,420	34,830	30,745
Intangible Personal Property				17,921
Fire Protection	1,209			
Increases Through Exonerations	103	192	361	116
Franchise Corporation	50,945	98,792	181,514	
Additional Billings	253	442	872	351
Oil and Gas Property Taxes	47	82	161	57
Limestone, Sand, and Mineral Reserves	80	139	275	98
Penalties	2,549	4,462	8,774	3,317
Adjusted to Sheriff's Receipt	(2)	5	3	2
Gross Chargeable to Sheriff	<u>\$ 314,323</u>	<u>\$ 559,927</u>	<u>\$ 1,086,987</u>	<u>\$ 357,989</u>
<u>Credits</u>				
Exonerations	\$ 3,722	\$ 6,650	\$ 12,910	\$ 6,985
Discounts	3,345	5,849	11,490	4,425
Delinquents:				
Real Estate	4,472	7,808	15,391	5,464
Tangible Personal Property	405	811	1,454	1,703
Uncollected Franchise	<u>2,915</u>	<u>5,826</u>	<u>10,574</u>	
Total Credits	<u>\$ 14,859</u>	<u>\$ 26,944</u>	<u>\$ 51,819</u>	<u>\$ 18,577</u>
Taxes Collected	\$ 299,464	\$ 532,983	\$ 1,035,168	\$ 339,412
Less: Commissions *	<u>13,015</u>	<u>22,008</u>	<u>41,407</u>	<u>14,712</u>
Taxes Due	\$ 286,449	\$ 510,975	\$ 993,761	\$ 324,700
Taxes Paid	<u>286,479</u>	<u>510,670</u>	<u>993,866</u>	<u>324,793</u>
Due Districts or (Refunds Due Sheriff)		**		
as of Completion of Fieldwork	<u>(30)</u>	<u>\$ 305</u>	<u>\$ (105)</u>	<u>\$ (93)</u>

\* and \*\* See page 4.

The accompanying notes are an integral part of this financial statement.

GREEN COUNTY  
TIM STUMPH, COUNTY SHERIFF  
SHERIFF'S SETTLEMENT - 2004 TAXES  
April 29, 2005  
(Continued)

\* Commissions:

10% on	\$	10,000
4.25% on	\$	904,414
4% on	\$	1,292,613

\*\* Special Taxing Districts:

Library District	\$	(13)
Health District		(6)
Extension District		(12)
Hospital District		51
Ambulance District		285
		<hr/>
Due Districts or (Refunds Due Sheriff)	\$	<u>305</u>

GREEN COUNTY  
NOTES TO FINANCIAL STATEMENT

April 29, 2005

Note 1. Summary of Significant Accounting Policies

A. Fund Accounting

The Sheriff's office tax collection duties are limited to acting as an agent for assessed property owners and taxing districts. A fund is used to account for the collection and distribution of taxes. A fund is a separate accounting entity with a self-balancing set of accounts. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions or activities.

B. Basis of Accounting

The financial statement has been prepared on a modified cash basis of accounting. Basis of accounting refers to when charges, credits, and taxes paid are reported in the settlement statement. It relates to the timing of measurements regardless of the measurement focus.

Charges are sources of revenue which are recognized in the tax period in which they become available and measurable. Credits are reductions of revenue which are recognized when there is proper authorization. Taxes paid are uses of revenue which are recognized when distributions are made to the taxing districts and others.

C. Cash and Investments

At the direction of the fiscal court, KRS 66.480 authorizes the Sheriff's office to invest in the following, including but not limited to, obligations of the United States and of its agencies and instrumentalities, obligations and contracts for future delivery or purchase of obligations backed by the full faith and credit of the United States, obligations of any corporation of the United States government, bonds or certificates of indebtedness of this state, and certificates of deposit issued by or other interest-bearing accounts of any bank or savings and loan institution which are insured by the Federal Deposit Insurance Corporation (FDIC) or which are collateralized, to the extent uninsured, by any obligation permitted by KRS 41.240(4).

Note 2. Deposits

The Sheriff maintained deposits of public funds with depository institutions insured by the Federal Deposit Insurance Corporation (FDIC). According to KRS 66.480(1)(d) and KRS 41.240(4), the depository institution should pledge or provide sufficient collateral which, together with FDIC insurance, equals or exceeds the amount of public funds on deposit at all times. In order to be valid against the FDIC in the event of failure or insolvency of the depository institution, this pledge or provision of collateral should be evidenced by an agreement between the Sheriff and the depository institution, signed by both parties, that is (a) in writing, (b) approved by the board of directors of the depository institution or its loan committee, which approval must be reflected in the minutes of the board or committee, and (c) an official record of the depository institution. The Sheriff entered into a written agreement with the depository institution and met requirements (a), (b), and (c) stated above. However, as of December 3, 2004, the collateral and FDIC insurance together did not equal or exceed the amount on deposit, leaving \$131,232 of public funds uninsured and unsecured.

GREEN COUNTY  
 NOTES TO FINANCIAL STATEMENT  
 April 29, 2005  
 (Continued)

Note 2. Deposits (Continued)

The county official's deposits are categorized below to give an indication of the level of risk assumed by the county official as of December 3, 2004.

	<u>Bank Balance</u>
FDIC insured	\$ 100,000
Collateralized with securities held by pledging depository institution in the county official's name	1,026,013
Uncollateralized and uninsured	<u>131,232</u>
Total	<u>\$ 1,257,245</u>

Note 3. Tax Collection Period

A. Property Taxes

The real and personal property tax assessments were levied as of January 1, 2004. Property taxes were billed to finance governmental services for the year ended June 30, 2005. Liens are effective when the tax bills become delinquent. The collection period for these assessments was October 26, 2004 through April 29, 2005.

Note 4. Interest Income

The Green County Sheriff earned \$884 as interest income on 2004 taxes. The Sheriff should have distributed \$398 to the school district as required by statute, and the remainder of \$486 to the fee account to be used to operate the Sheriff's office. During the tax period, the Sheriff paid \$489 to the school district and \$530 to his fee account. As of April 29, 2005, the Sheriff is due a refund of \$91 from the school district and \$44 from his fee account.

Note 5. Sheriff's 10% Add-On Fee

The Green County Sheriff collected \$12,777 of 10% add-on fees allowed by KRS 134.430(3). This amount will be used to operate the Sheriff's office. As of April 29, 2005, the Sheriff owes \$99 in 10% add-on fees to his fee account.

Note 6. Advertising Costs And Fees

The Green County Sheriff collected \$230 of advertising costs and \$1,210 of advertising fees allowed by KRS 424.330(1) and KRS 134.440(2). The Sheriff distributed the advertising costs to the county as required by statute, and the advertising fees will be used to operate the Sheriff's office.

COMMENT AND RECOMMENDATION



GREEN COUNTY  
TIM STUMPH, COUNTY SHERIFF  
COMMENT AND RECOMMENDATION

As of April 29, 2005

STATE LAWS AND REGULATIONS:

The Depository Institution Should Have Provided Additional Collateral Of \$131,232 To Protect Deposits

On December 3, 2004, \$131,232 of the Sheriff's deposits of public funds in depository institutions were uninsured and unsecured. According to KRS 66.480(1)(d) and KRS 41.240(4), the depository institution should pledge or provide sufficient collateral which, together with Federal Deposit Insurance Corporation insurance, equals or exceeds the amount of public funds on deposit at all times. We recommend that the Sheriff require the depository institution to pledge or provide collateral in an amount sufficient to secure deposits of public funds at all times.

*Sheriff's Response:* None

PRIOR YEAR:

The comment discussed above was included in the prior year audit and it was not resolved.

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REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON  
COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF THE FINANCIAL  
STATEMENT PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS





CRIT LUALLEN  
AUDITOR OF PUBLIC ACCOUNTS

The Honorable Mary Ann Blaydes Baron, Green County Judge/Executive  
Honorable Tim Stumph, Green County Sheriff  
Members of the Green County Fiscal Court

Report On Internal Control Over Financial Reporting And On  
Compliance And Other Matters Based On An Audit Of The Financial  
Statement Performed In Accordance With Government Auditing Standards

We have audited the Green County Sheriff's Settlement - 2004 Taxes as of April 29, 2005, and have issued our report thereon dated September 16, 2005. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Green County Sheriff's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statement and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statement being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

Compliance And Other Matters

As part of obtaining reasonable assurance about whether the Green County Sheriff's Settlement - 2004 Taxes as of April 29, 2005 is free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed an instance of noncompliance or other matter that is required to be reported under Government Auditing Standards and which is described in the accompanying comment and recommendation.



Report On Internal Control Over Financial Reporting And On  
Compliance And Other Matters Based On An Audit Of The Financial  
Statement Performed In Accordance With Government Auditing Standards  
(Continued)

Compliance And Other Matters (Continued)

- The Depository Institution Should Have Provided Additional Collateral Of \$131,232 To Protect Deposits

This report is intended solely for the information and use of management and the Kentucky Governor's Office For Local Government and is not intended to be and should not be used by anyone other than the specified parties.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Crit Luallen", with a long horizontal flourish extending to the right.

Crit Luallen  
Auditor of Public Accounts

Audit fieldwork completed -  
September 16, 2005

